

IRS News Release

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IRS & Treasury Ease Burden on Business Meal and Entertainment Expense Deductions

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WASHINGTON — The Treasury Department and the Internal Revenue Service today issued a revenue procedure providing guidance on the use of statistical sampling in determining deductible business meal and entertainment (M&E) expenses.

"Today's announcement reflects our goal to impose the least amount of burden necessary for taxpayers to meet their tax responsibilities," said IRS Commissioner Mark W. Everson. "We're pleased to take this step and any others that will help reduce burden."

"Use of statistical sampling in this context significantly reduces taxpayer burden," said Acting Assistant Secretary for Tax Policy Gregory F. Jenner. "Providing guidance on how to use statistical sampling provides certainty and will reduce future controversy."

Deductions for M&E expenses generally are limited to 50 percent of the expense. However, the 50 percent disallowance does not apply to certain M&E expenses. This revenue procedure provides a statistical sampling methodology for use in establishing the amount of substantiated M&E expenses excepted from the 50 percent disallowance. The proper use of statistical sampling will relieve taxpayers, especially those with large M&E accounts, of the burden of scrutinizing each and every item relating to an M&E amount.

Rev. Proc 2004-29 is available on IRS.gov and will be published in Internal Revenue Bulletin 2004-20, dated May 17, 2004.